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New Vermont R&D Tax Credit Available in 2011

Credit will increase R&D and help create new jobs

MONTPELIER, Vt. – A new tax credit becomes available this year to eligible Vermont businesses for research and development investments made in Vermont starting Jan. 1, 2011.

The tax credit was enacted by the Vermont General Assembly in 2009, but became effective for R&D expenditures made on or after Jan. 1, 2011. Availability of the tax credit relied on an extension the federal R&D tax credit, which occurred in December 2010 when President Obama signed into law the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. The federal R&D Tax Credit will be extended through December 2011.

Vermont companies that make eligible research and development expenditures in Vermont can claim a tax credit equal to 30 percent of the federal tax credit allowed in the taxable year. Eligible research and development investments are the same as those defined by the federal R&D tax credit under Section 41(a) of the IRS Code, which are made in Vermont. If the tax credit cannot be applied in the year earned, the taxpayer can carry forward the credit for up to 10 years.

“Incentives like the Vermont R&D tax credit will encourage companies such as Bio Tek and Seldon Technologies to continue investing in R&D, add high paying jobs and help keep them competitive in the global marketplace,” said Governor Shumlin. “This is an exciting opportunity to help technology and innovation companies to grow here in Vermont” added Lawrence Miller, Secretary of the Vermont Agency of Commerce & Community Development.

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Title 32: Taxation and Finance

Chapter 151: INCOME TAXES

32 V.S.A. § 5930ii. Research and development tax credit

§ 5930ii. Research and development tax credit

(a) A taxpayer of this state shall be eligible for a credit against the tax imposed under this chapter in an amount equal to 30 percent of the amount of the federal tax credit allowed in the taxable year for eligible research and development expenditures under Section 41(a) of the Internal Revenue Code and which are made within this state.

(b) Any unused credit available under subsection (a) of this section may be carried forward for up to ten years. (Added 2009, No. 2 (Sp. Sess.), § 22.)

History

Applicability of section. 2009, No.2 (Sp. Sess.). §23 provides: “Sec. 22 of this act shall apply to eligible research and development expenditures made on or after January 1, 2011.”

Link to information on IRS Code 41(a)

[http://www.taxalmanac.org/index.php/Internal Revenue Code:Sec. 41. Credit for increasing research activities](http://www.taxalmanac.org/index.php/Internal_Revenue_Code:Sec. 41. Credit for increasing_research_activities)